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TAGS: [ABUD](#) [AFIN](#) [AMGT](#) [ECON](#) [ENRG](#) [TU](#)  
SUBJECT: ADDITIONAL ELECTRICITY PRICE HIKES TO HIT MISSION  
TURKEY IN OCTOBER

REF: A. ANKARA 11183  
[1](#)B. ANKARA 862

This is a joint Consulate General Istanbul/Embassy Ankara report.

[1](#)1. (SBU) The Turkish Electricity Trading Company (TETAS) announced on September 3 that it will raise the electricity sales price between internal electricity sales actors -- notably TETAS and the State Distribution Company (TEDAS)-- by 34 percent in October. This change will not immediately affect consumers. In order to increase consumer electricity rates, TEDAS will need to apply to EMRA, the electricity market regulatory body. Analysts expect the price increase to consumers will be about 10-15% starting October 1. While passing along only part of the price increase to consumers may be a good public relations strategy for the government, it will likely lead to increasing debts for distribution companies, the same entities the GOT has pledged to privatize.

[1](#)2. (U) This is the third electricity price increase the GOT has announced since the beginning of the year. The first increase came in January when electricity prices for households increased 15% while prices for industry increased 10% -- as a result of inflationary accounting these increases were reflected to consumers as 19.5% and 12%. In May, the Higher Planning Council decided to adopt an automatic pricing mechanism as of July 2008 (ref A.) The GOT introduced this cost-based pricing mechanism to remove the state subsidy in the sector and pave the way for private sector investment. With the entry into force of this mechanism in July, the GOT announced a second price increase of 21% for households and 22% for industry. Adding a possible 10-15% increase in October to the previous two increases will amount to a total electricity price hike in calendar year 2008 of 60-65%.

[1](#)3. (SBU) These price increases will affect Mission Turkey. A 15% electricity price increase effective October 1 would increase Mission Turkey's FY09 electricity costs by USD 198,405 for ICASS and USD 51,023 for Program.  
WIENER